

**İKT 531**  
**Macroeconomics I**  
FALL 2011

**Syllabus**

**Instructor:** Dr. Ünay Tamgaç, 292-4544 (Room:206), email: utamgac@etu.edu.tr

**Time and Location:** Th 10:30 - 12:20, Calsroom #310.  
Fr 08:30 - 10:20, Calsroom #177.

**Office Hours:** Tuesday 13:30 - 14:30  
Friday 10:30 - 11:30

**Textbook:** There is no definite textbook for the course. We will use selected chapters from different sources. Useful resources for reviewing some of the course material are:

David Romer, *Advanced Macroeconomics* (3rd ed., McGraw Hill, 2001).

Carl. E. Walsh, *Monetary Theory and Policy* (3rd ed., MIT Press, 2010).

Lars Ljungqvist & Thomas J. Sargent, *Recursive Macroeconomic Theory*, (2nd ed. MIT Press 2004).

Ben J. Heijdra, *The foundations of Modern Macroeconomics* (2nd ed. Oxford University Press, 2009).

**Grading:** Your evaluation of the second part of the Macroeconomics I course will be based on assignments and a final exam at the end of the semester. There will be one midterm and approximately 4 assignments. They will count toward the course grade as follows:

Assignments	15%
Midterm	35%

**Exams:** The exam will cover the material studied in the glass as well as the reading assignments given during the class.

**Description of the Course**The course will be centered around several main topics covering the basic macroeconomic theory after 1970s. The aim is to introduce you to some of the modern macroeconomic models that economists use to understand macroeconomic phenomena. After the review of the traditional business cycle models in the first half of the course, the main emphasis in the second half of the course will be on equilibrium, flexible price models of business cycles (RBC Models) and new Keynesian Models.

**Course Organization:** The students may be assigned to read a course material. Announcement of such reading and written assignments will be made in class and also through email. It is the responsibility of the students to check their emails and to read the material. You are well come during office hours or by appointment to ask questions about the course material. Assignments will be graded on an individual basis but you can collaborate with your class mates on the solution. However the assignments should show individual effort and any joint work should explicitly be stated.

**Course Material:** A tentative outline of the course material is provided below.

**I. DSGE models: Real Business Cycle Theory**

Romer, D. *Advanced Macroeconomics*, Chapter 4

Sergio Rebelo, 2005. "Real Business Cycle Models: Past, Present and Future," *Scandinavian Journal of Economics*, Wiley Blackwell, vol. 107(2), pages 217-238, 06

George W. Stadler, 1994. "Real Business Cycles," *Journal of Economic Literature*, American Economic Association, vol. 32(4), pages 1750-1783.

I.1 The basic theory

I.2. Computations

I.3. Empirical Evidence

I.4. Criticisms of the RBC models

**II. Money in flexible-price general equilibrium models and optimal inflation**

Walsh, C.E., Monetary Theory and Policy, (selected sections from Chapters 2, 3 and 4)

II.1. Adding Money to the General Equilibrium Model

II.2. Fiscal Issues (?)

II.3. Optimal Rate of Inflation (?)

### **III. Nominal rigidities**

Walsh, C.E., Monetary Theory and Policy, (selected sections from Chapters 6 and 7)

III.1 Is demand important?

Gali, J. and P. Rabanal, "Technology Shocks and Aggregate Fluctuations: How Well Does the RBC Model Fit the Postwar U.S. Data?" NBER Macroeconomic Annual, 2004. Pp. 1-27 only.

III.2. Lucas supply functions and simple models of inflation

Ljungqvist and Sargent, 22.3-22.4.

III.3. Nominal frictions, time dependent and state dependent models of price adjustment

### **III.4. The basic new Keynesian framework**

Walsh, C. E., Monetary Theory and Policy, chapter 8, sections 1-3.

Romer, D. Advanced Macroeconomics, Chapter 4